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Philippines

Grain and Feed

Milled Rice PSD Update

2003

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Report Highlights:

MY02/03 rice imports will increase dramatically from its previous year's level due to a decline in production as well as an expected surge in consumption. Imports for the following year are likely to decline as production improves and consumption growth slows. However, Imports in MY03/04, are still expected to be over one million metric tons.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1]
[RP]

PSD Table						
Country	Philippines					
Commodity	Rice, Milled			(1000 HA)(1000 MT)		
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	4080	4080	4100	3930	4100	4115
Beginning Stocks	2797	2797	3547	2967	3447	3577
Milled Production	8450	8450	8450	8435	8500	8505
Rough Production	13000	13000	13000	12977	13077	13085
MILLING RATE (.9999)	6500	6500	6500	6500	6500	6500
TOTAL Imports	1200	760	1000	1725	800	1340
Jan-Dec Imports	1180	1410	1200	1379	500	1000
Jan-Dec Import U.S.	43	31	0	169	0	0
TOTAL SUPPLY	12447	12007	12997	13127	12747	13422
TOTAL Exports	0	0	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	8900	9040	9550	9550	9700	9700
Ending Stocks	3547	2967	3447	3577	3047	3722
TOTAL DISTRIBUTION	12447	12007	12997	13127	12747	13422

Milled rice imports in MY01/02 have been pared down while upward adjustments were made to overall CY2002 imports as the majority of rice imports last year were actually delivered in the second semester of CY2002 or in MY02/03. Imports during the latter period reached close to a million tons (985 TMT), as the GRP braced for a recurrence of another El Nino weather disturbance expected in early 2003. Upward adjustments were made to overall CY2002 imports because of this. Rice imports from the United States represent the contracted volume under the FY01 P.L. 480 Title I Agreement (around 23 TMT) and the initial deliveries (around 8 TMT) of the estimated 22 TMT rice under the FY02 Sec. 416 (b) grant.

The import figures for both MY01/02 and CY2002 include an estimated 300 TMT and 200 TMT of illegally imported and smuggled rice imports, respectively. The entry of illegal rice imports is expected to continue for as long as local prices remain high relative to prices in neighboring countries. Unavailable data on smuggled volumes has made construction of the PSD Table extremely difficult. However, according to industry sources, the amount of smuggled rice is expected to decrease to about 200 TMT through MY03/04 as a result of adequate supply and increased efforts of the GRP to control and limit the illegal practice.

Rice production in MY02/03 was revised downwards consistent with estimates from the Bureau of Agricultural Statistics (BAS). The Philippine Department of Agriculture (DA) attributes the production decline to a smaller area planted as a result of a prolonged, but mild, El Nino dry spell in the first quarter of CY2003. The DA had earlier projected CY2003 paddy rice output to reach around 14.2 MMT, but subsequently adjusted this target to a more realistic 13.2 MMT. DA Secretary Luis P. Lorenzo, Jr., however, is optimistic that production

during the year may still exceed the targeted level as output gains are expected in the remaining half of the year. His projection is predicated on a higher adoption of hybrid seed and favorable weather conditions.

Rice consumption grew significantly in MY02/03 compared to the previous year's level. The Philippine population currently estimated at around 81 million and growing at 2.36 percent annually, roughly an additional 2 million Filipinos will need to be fed next year. In addition, losses due to spoilage and post-harvest wastage, further bloat consumption estimates. These losses arise from inadequate farm to market roads, drying and milling facilities, as well as storage infrastructure. These inefficiencies partly explain the numerous intermediaries that compose the rice-supply and distribution chain which eventually drive up retail prices. This being the case, post-harvest losses are expected to be higher during times of good production. Various estimates on post-harvest losses reach as high as 20 – 30 percent of the harvested paddy rice volumes.

Imported low quality rice contribute to increased spoilage. As mentioned in RP3007, around 595 TMT of Indian rice imported in CY2002, were found to have varying degrees of quarantine pest infestation, and a considerable portion of this volume will likely go to waste. Total imports for MY02/03 and CY2003 will both exceed the one million MT level in view of the decline in production and the surge in rice consumption. Imports during the market year, more than doubled the amount of rice imports in MY01/02.

For CY2003, a total of 1.01 MMT of rice has already been imported. This excludes U.S. rice in the amount of about 169 TMT to be delivered under various USDA food aid programs (FY02 and FY03 P.L. 480 Title I and FY02 Section 416 (b)) this year. In addition, and as mentioned earlier, smuggled rice imports, estimated at 200 TMT, are still expected to enter the country. Significant rice imports are likely to address food security concerns in the face of elections scheduled in May 2004. Some quarters, though, have criticized the "over-importation" as detrimental to the small rice farmer.

For MY03/04, rice production is predicted to surpass the MY02/03 output and reach another record level due to the use of better-quality seeds. On a calendar year basis, unofficial preliminary estimates place 2004 rice harvests at 13.5 MMT, significantly down from the DA's original target of 15.5 MMT. At this production level, and in consideration of the 2004 national elections, imports for both CY2004 and MY03/04 are expected to reach at least one million MT.